



COMMISSIONER  
TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

June 21, 2022

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Expiration Date: June 21, 2024  
Affected IRM: 4.75.7, 4.75.10, 4.75.40,  
4.86.1, 4.86.5

MEMORANDUM FOR ALL TAX EXEMPT AND GOVERNMENT ENTITIES EMPLOYEES

FROM: Edward T. Killen /s/ *Edward T. Killen*  
Deputy Commissioner, Tax Exempt and Government Entities

SUBJECT: Tax Exempt and Government Entities Examination Process

This memo supersedes TEGE-04-0920-0020, Interim Guidance on Tax Exempt and Government Entities Examination Process. This memo updates the guidance, the list of affected IRM sections, the points of contact, and the various hyperlinks.

**Purpose:**

This memo provides guidance on the Tax Exempt and Government Entities (TE/GE) Examination Process, used in all TE/GE Examinations. This guidance restates the overall TE/GE Examination Process and RCCMS Issue Code data grid functionality. This guidance also includes definitions of key terms related to the examination process. Refer to the [TE/GE Examination Process Procedural Handbook](#) for additional details.

**Background/Source(s) of Authority:**

Various TE/GE IRM sections describe the examination process to varying degrees of detail for each function. TE/GE Examinations' authority to conduct examinations, resolve issues and determine tax liability derives from Title 26, Internal Revenue Code, Subtitle F – Procedure and Administration, which includes:

- IRC Section 6201, Assessment authority.
- IRC Section 7602, Examinations of books and witnesses
- IRC Section 7803(a)(3), Execution of duties in accord with taxpayer rights
- Policy Statement 1-236, Fairness and Integrity in Enforcement Selection
- Policy Statement 4-117, Examination authority to resolve issues
- Policy Statement 4-119 (formerly P-7-20), Selection and Examination of Returns

- Delegation Order 7-13 (Rev. 2) (formerly DO-248, Rev. 1), Authority to Accept Classification Settlement Program (CSP) Offers and to Execute the Pro Forma Closing Agreements on CSP Issues
- Delegation Order 8-3 (formerly DO-97, Rev. 34), Closing Agreements Concerning Internal Revenue Tax Liability

### **Procedural Change:**

The TE/GE Examination Process provides an organizational approach for conducting professional examinations from the first contact with the taxpayer through the final stages of issue resolution and case closure. Our exam compliance program takes a strategic approach to effective tax administration.

Not all examinations are the same in scope, size, and complexity; therefore, portions of this guidance may be more applicable to some cases than others. This guidance supersedes and consolidates all existing procedural guidance describing functional examination processes.

There are three phases to the TE/GE examination process: Planning, Execution and Resolution

### **PLANNING PHASE**

This phase of the examination process determines the scope of the exam. Issues selected for examination should have the broadest impact on compliance regardless of the size and type of entity or organization.

Once you determine the issues for examination, work to establish effective steps to complete the examination in a timely manner. At the opening conference, explain TE/GE processes and procedures for conducting an examination, along with an overview of taxpayer rights.

#### **Examination Plan**

Examination plans are issue focused and contain the following:

- the issues identified,
- exam steps,
- timeline(s), and
- determined method of conducting the exam either in person or remotely.

Plans are nimble, agile and when warranted, adjusted throughout the examination. You must obtain managerial concurrence upon plan development and/or subsequent plan modification which includes updating and approval through the issue code data grid.

### **EXECUTION PHASE**

Stages of issue development include:

- determining the facts,
- applying the law to those facts, and
- understanding the various tax or compliance implications of the issue.

The parties will conduct interactive discussions, using the Information Document Request (IDR) process to develop the facts. Make every effort to resolve any factual differences. If required, provide Notices of Proposed Adjustment throughout this phase to present the government's legal position to the taxpayer. The entity or organization's response to these proposals allows you to gain an understanding of the entity or organization's position and to achieve issue resolution at the earliest appropriate point.

## **RESOLUTION PHASE**

The goal of the resolution phase is to reach agreement, if possible, on the tax or compliance treatment of each issue examined and if necessary, issue a Revenue Agent Report (RAR) or Closing Agreement to the taxpayer. Starting with the development of the issue and continuing through resolution, early and frequent discussions are crucial for a complete understanding of the respective merits of an issue.

### **RCCMS Issue Code Data Grid**

RCCMS has a functionality that aids us in tracking the development of examinations from selection of cases through the entire examination process. This functionality requires that you familiarize yourself with its capabilities and use it for all examinations. Please review the [TE/GE Examination Process Procedural Handbook](#) for additional details.

Data captured in the Issue Code data grid replaces the capturing of Principle Issue Codes (or EP Issue Codes) in certain fields on the RCCMS Closing Record tabs. The data captured in the Issue Code data grid:

- provides a consistent form of measurement of the impact of each technical issue in relation to the overall results of the exam,
- enhances the evaluation of determining the productivity of our various workload selection methodologies (i.e., Compliance Strategies, compliance query sets, referrals, claims, etc.),
- improves systemic identification of potential emerging issues,
- systemically automates the exam plan approval process, and
- provides meaningful real-time feedback pertaining to issue identification in current workload.

### **Effect on Other Documents:**

We'll incorporate this guidance into IRM 4.70.11, 4.70.12, 4.70.13 and 4.70.14 no later than June 21, 2024. Also, note that these changes affect and require changes to the IRM sections below:

- IRM 4.75.7, 4.75.10, 4.75.40
- IRM 4.86.1, 4.86.5

**Effective Date:**

June 21, 2022.

**Contact:**

If you have any questions, please contact [George Brim](#) (EP) at (609) 858-7979, [Brett Dietrich](#) (EO) at (801) 620-4313 and [Lonnelle Graham](#) (GE) at (505) 737-6283.

**Distribution:**

[IRS.gov \(http://www.IRS.gov\)](http://www.IRS.gov)

**Attachment:**

[TE/GE Examination Process Map](#)  
[TE/GE Examination Procedural Handbook](#)